

# **MINUTES OF ROANOKE CITY AUDIT COMMITTEE**

**March 6, 2006**

## **1. CALL TO ORDER:**

The meeting of the Roanoke City Audit Committee was called to order at 11:00 a.m. on Monday, March 6, 2006, with Chair, Dr. M. Rupert Cutler, presiding.

- **The roll was called by Mrs. England**

### **Audit Committee**

**Members Present:** Dr. M. Rupert Cutler, Chair  
Mayor C. Nelson Harris  
Vice-Mayor Beverly T. Fitzpatrick, Jr.  
Alfred T. Dowe, Jr.  
Sherman P. Lea  
Brenda L. McDaniel

### **Audit Committee**

**Member Absent:** Brian J. Wishneff

**Others Present:** Drew Harmon, Municipal Auditor  
Darlene L. Burcham, City Manager  
William M. Hackworth, City Attorney  
Jesse A. Hall, Director of Finance  
Rolanda Russell, Asst. City Manager for Community Development  
James Grigsby, Acting Asst. City Manager for Operations  
Octavia Johnson, Sheriff  
James Brubaker, Major Deputy Sheriff  
Faye Tardy, Assistant to the City Manager  
Mike Tuck, Assistant Municipal Auditor  
Pam Mosdell, Information Systems Auditor  
Cheryl Ramsey, Auditor  
Geri Hayes, Senior Auditor  
Doris England, Administrative Assistant  
Todd Jackson, Roanoke Times Reporter

## **2. APPROVAL OF MINUTES FROM DECEMBER 19, 2005, MEETING**

Chairman Cutler asked if there were any amendments to the minutes of the December 19, 2005, Audit Committee meeting. There were none. Mr. Fitzpatrick moved and Ms. McDaniel seconded that the minutes be approved as distributed. A vote was taken and the motion carried. The minutes will be placed on the Consent Agenda for the next City Council meeting.

### 3. INTERNAL AUDIT REPORTS:

- A. Clerk of the Circuit Court
- B. Contract Administration
- C. Independent Accountant's Report – Roanoke City Sheriff's Office

Chairman Cutler ordered that items A through C be received and filed. There were no objections to the order. Chairman Cutler recognized Mr. Harmon for comments on each of the audits beginning with the Clerk of the Circuit Court.

Mr. Harmon stated the Clerk of the Circuit Court audit is done annually with Municipal Auditing following the program provided by the Auditor of Public Accounts (APA). The city auditing staff does its part of the audit, and the APA then does its part. Mr. Harmon stated that once the APA completes its part of the audit, the final report will be brought before the Audit Committee. On the city's part, there were no findings.

Chairman Cutler asked Mr. Harmon to introduce the newest staff member of Municipal Auditing. Mr. Harmon introduced Geri Hayes, Senior Auditor, who began work with the department on January 23, 2006.

Chairman Cutler explained he would like to change the order of the agenda and discuss the Independent Accountant's Report next, saving the Contract Administration report for last.

Mr. Harmon proceeded with the Independent Accountant's Report and explained that this was a turnover audit of the Sheriff's Department. Sheriff Johnson requested the audit be done when she took office to make sure the accounts were in order. Mr. Harmon explained the signatures on the accounts had been changed and all the balances were reconciled. There were no findings, and Mr. Harmon thanked the Sheriff's staff for its help. Chairman Cutler asked Ms. Johnson if she would like to make any comments. Ms. Johnson stated she appreciated the work done by the auditing staff and was glad that everything came out in good standing.

Chairman Cutler asked Mr. Harmon to proceed to the Contract Administration audit report. Mr. Harmon stated this was a performance audit, and the city has several hundred thousand dollars worth of contracts awarded. There are dozens of contracts; the exact number is not known at this time because the database listing all contracts is not complete. Mr. Harmon stated the procedures for contract administration are available to city employees in Section 10 of the Procurement Manual. He further stated the city had made substantial progress in recent years identifying existing contracts and ensuring contracts include the city's required terms and conditions. Mr. Harmon stated the city management is now working toward better administration of contracts.

Chairman Cutler stated this was an important report. He said that on several occasions of visiting the library he had noted the poor conditions of the restrooms, as well as the variance of cool and warm lighting tubes in the ceiling which does not provide a nice appearance. Dr. Cutler quoted statements made in the audit report and noted, "The libraries have been dirtier and less sanitary than was intended based on the service levels set in the city's contract."

Chairman Cutler proceeded to the discussion of the Market Square Walkway and explained that he walks across it several times a week. He stated the escalators are sometimes out of service, and the bridge is not as clean as it should be. Even the banner welcoming visitors to this All-America City has slid together so that it is unreadable. Dr. Cutler quoted specific procedures listed in the report that were suggested in the city's procurement manual but were not being followed. As stated in the report, Dr. Cutler quoted, "The cleaning services provided have been substantially below the quality specified in the contract."

Chairman Cutler proceeded to the portion of the audit report addressing Park Restroom Cleaning. He stated the inspections of Highland Park, Fallon Park and Lakewood Park revealed dirty sinks, fixtures, and mirrors; and also no paper towels or tissue paper. He then asked Ms. Burcham and Mr. Harmon how this issue could be addressed. Mr. Dowe asked if state budget cuts several years ago had impacted these services. Chairman Cutler replied that this was not an issue of funding, but one of the city not receiving the services agreed to under existing contracts. Mr. Harmon explained the contracts specify the service level, and the contractors agree to those services. Mr. Lea stated it was clear that contractors were not performing as they had agreed to in the contract. Mr. Fitzpatrick stated that as the city goes to more out-sourcing, it must do a better job of managing those services. Chairman Cutler stated that he and Mr. Harmon had discussed the issues with the Market Square Walkway, and Mr. Harmon stated the escalators were down quite often, were subject to vandalism, and it might be a better solution to have fixed stairs instead of the escalators. Mr. Fitzpatrick agreed stairs would be better since elevators are provided. Mayor Harris asked Ms. Burcham for her comments on the issue.

Ms. Burcham stated that the city is not where it needs to be in regard to contract administration, although it is progressing. In 2000, the city did not have a procurement manual. She added that contract administration is an art, and what many organizations fail to realize is that when you out-source, there is a greater responsibility to monitor than when staff performs those services. The city has utilized out-sourcing in an effort to save money and reduce costs. Ms. Burcham explained that it is very difficult to acquire contractors for the walkway; the city has probably had five different ones, and she has not been pleased with any of them. She agreed with an earlier statement made by Mr. Harmon that contractors low-bid the project and

then try to cut corners, which just does not work. She said that prior to her seeing this report, she and Mr. Harmon had discussed the need to do a presentation to the Leadership Team on contract administration and to emphasize the responsibilities it involves. Ms. Burcham stated in the case of the libraries, the Building Maintenance department is the contract administrator, but the library employees are in the libraries all day and perhaps would make better administrators. The city needs to do a better job of assigning contract administration responsibilities within the department itself. Ms. Burcham noted that in some instances of contractor performance, some of the expectations may not be realistic. The city may need to be more specific and focus on the immediate appearance that the average citizen sees. Ms. Burcham stated she would be happy to look at changing the escalators to stairs. She explained the escalators are out a lot because people deliberately push the emergency button to be playful, which sometimes happens at two or three o'clock in the morning. The city is looking at ways to monitor activity around the escalators through the 24-hour staff at the Police administration building. The signage for the elevators has been limited because the escalators were designed to be the primary mode [of egress and ingress for the walkway]. Ms. Burcham was asked if there are cameras in the walkway, to which she responded that there are cameras in the walkway, but that she was not sure if cameras are focused on the escalators.

Chairman Cutler stated it occurred to him as he read this report that photographs could be a potential benefit. He stated some of the non-compliance issues could be more evident if the auditing staff carried a camera with telephoto capability and took pictures, attaching them to the report. Mr. Harmon stated that pictures were taken and included in the work papers on this audit to document what was observed. He has discussed including photographs with audit reports with his staff and will pursue how this can best be done.

Dr. Cutler asked Mr. Harmon to summarize the discussion of this audit report. Mr. Harmon stated contract administration is difficult and that documenting vendor performance is critical to ensure vendors are treated fairly and the city receives the services for which it has paid. Problems should be communicated to the contractor immediately in order to provide the vendor an opportunity to respond to and remedy any issues. Regarding the escalators, Mr. Harmon stated that Building Maintenance should monitor the costs associated with maintaining the escalators in order to evaluate costs versus benefits.

Mayor Harris asked Ms. Burcham to quantify the cost of maintaining the escalators and the cost of replacing them with stairs. He also asked if she could talk with management at Hotel Roanoke to determine if the city might contract with the hotel to service the market walkway. The Mayor noted that the walkway could be considered an extension of the conference center and

is likely as much of a concern to the hotel administration as it is to the city. Ms. Burcham stated that she had spoken with the hotel administration in the past about the walkway and that it might be good if Mayor Harris spoke to them in his role as a member of the Hotel Commission. Mayor Harris asked if Hotel Roanoke management had been open to helping address walkway issues in the past. Ms. Burcham replied that she felt the hotel staff would prefer not to service the walkway, but that the hotel has been one of the greatest critics of the problems with the walkway. She noted that she had never addressed the walkway issue with the hotel from the perspective of the walkway being an extension of the Hotel Roanoke and Conference Center. Ms. Burcham stated that she will be glad to have this conversation with the hotel staff and that it would probably be appropriate for discussion at a Hotel Commission meeting. Ms. Burcham stated she had worked with Debbie Moses in getting signage placed in the walkway, so the hotel certainly has an interest in the walkway.

Mr. Fitzpatrick noted that a staircase in the market walkway was recommended in the city market district study. He suggested the city administration should develop costs for a fixed staircase assuming it will extend out through the front of the walkway structure toward the market building. This would be an initial, positive step toward implementing the recommendations in the market study.

#### **4. UNFINISHED BUSINESS:**

There was no unfinished business to come before the committee.

#### **5. NEW BUSINESS:**

Chairman Cutler recognized Mr. Harmon for comments on the update of staffing and the current audit plan. Mr. Harmon stated there would be one more audit committee meeting this fiscal year, which would take place in June. He stated the newest employee on his staff, Geri Hayes, had already been introduced to the committee members. There will also be an additional change in staffing. Information Systems Auditor, Pam Mosdell, has requested to work part-time for three days a week in order to spend more time with her children. Mr. Harmon stated he had worked with Human Resources and agreed to that arrangement in order to retain her experience and expertise. He noted that this change will be a reduction of four tenths of a full time position. He also explained that over the last four years, the department has reduced staffing by approximately 20 percent as a budget reduction strategy. Mr. Harmon stated that he is evaluating contracting with recently retired auditors in the area to provide audit services on an "as needed" basis in the future.

Mr. Harmon stated there would be a number of audit reports coming to the committee in June. These include audits of the following.

- Social Services Administration – business function
- Purchasing Cards – expenditures and compliance with policies
- Occupational Health – process for performing physicals
- Small, Minority, and Women-owned Businesses – efforts of departments to incorporate these businesses in purchases under \$50,000
- Change Control for Building Inspection
- Weed Abatement – compliance issues

Chairman Cutler asked about the close-out of Johnson and Johnson. Mr. Harmon replied that his department works with management as issues arise in performing non-audit services, such as this. A letter was presented to management regarding the issue of the Johnson and Johnson performance agreements. Mr. Harmon stated his department is also evaluating the business office function of the library. These two items are in addition to the Audit Plan.

Mr. Harmon stated that several audits in the current audit plan that will not be performed. He stated that changes in the auditing process have required more time to complete audits and that the vacancy of a senior auditor position for approximately six months have created the need to eliminate audits from the plan.

Chairman Cutler asked Mr. Harmon for comments on the relationship with the school system. Mr. Harmon stated the School Audit Committee meeting was held in February, and it was decided that Municipal Auditing would provide some information to the Board. Over the next three months, information will be formulated through a work group and presented to the School Board to consider how those members want to set up boundaries of the audit function. Once there is something the School Board feels comfortable with, Mr. Harmon said he would bring it before City Council.

Chairman Cutler asked if the committee members had any questions for Mr. Harmon. There were none.

## 6. ADJOURNMENT

There being no further business, the meeting was adjourned at 11:33 a.m.



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M. Rupert Cutler, Chair